

Message Text

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E. O. 11652 GDS

TAGS: EFIN, SNAR, CPRS, BF

SUBJ: BANKING & CORPORATE ACTIVITIES IN THE BAHAMAS

DAMAGING TO U. S. INTERESTS

REF: BAHAMAS CASP, PP. 45, 46, 51

A. THE UNITED STATES IS FACED WITH A SERIES OF SEPARATE BUT RELATED PROBLEMS INVOLVING THE USE OF BAHAMIAN BANKS AND CORPORATIONS FOR ILLEGAL AND/ OR QUESTIONABLE ACTIVITIES WHICH ARE DAMAGING TO AMERICAN INTERESTS. THE PROBLEMS ARE:

1. THE BANKRUPTCY OF SEVERAL NASSAU BANKS OVER THE LAST SEVERAL YEARS HAS RESULTED IN HEAVY LOSSES TO AMERICAN DEPOSITORS. THESE BANKS HAVE BEEN ENGAGED IN QUESTIONABLE FINANCING OR IN SOME CASES IN CLEARLY ILLEGAL ACTIVITIES. IN MOST CASES THE PERSONS INVOLVED HAVE BEEN AMERICANS. ALTHOUGH THE BANKS' PRECARIOUS FINANCIAL CONDITION HAS BECOME EVIDENT, GOBI BANKING AUTHORITIES HAVE FAILED TO MOVE IN GOOD TIME TO CONSERVE ASSETS BECAUSE OF POLITICAL PAYOFFS.

2. THE SECOND PROBLEM IS THE USE OF BAHAMIAN BANKS AND SHELL CORPORATIONS FOR ILLEGAL STOCK MANIPULATION AND AS A MEANS OF AVOIDING U. S. AND OTHER STOCK REGULATIONS. THE MOST NOTABLE EXAMPLE OF THIS IS ROBERT VESCO'S ACTIVITY AND THAT OF IOS BEFORE HIM. BAHAMIAN MONETARY AUTHORITIES HAVE DECLINED TO COOPERATE WITH THE SEC AND COMPLAINED THAT ITS EFFORTS TO
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CONSERVE THE ASSETS OF VESCO'S FIRM CONSTITUTE INTERFERENCE IN BAHAMIAN INTERNAL AFFAIRS. AGAIN, THERE IS EVIDENCE OF LOCAL POLITICAL PAYOFFS.

3. EFFORTS BY U. S. INVESTIGATIVE AGENCIES TO OBTAIN INFORMATION RELATING TO THE ACTIVITIES NOTED ABOVE AS THEY MAY INVOLVE VIOLATIONS OF U. S. LAWS (AND IN SOME CASES THERE ARE REPORTS THAT ORGANIZED CRIME MAY BE INVOLVED) HAVE BEEN SERIOUSLY HAMPERED BY THE BAHAMIAN BANK SECRECY LAWS. LIKE THE SWISS, THE GOBI HAS A VESTED INTEREST IN THESE LAWS WHICH MAKE THE BAHAMAS ATTRACTIVE AS A TAX- HAVEN AND BANKING CENTER.

WHEN U. S. INVESTIGATORS HAVE BEEN REBUFFED BY BANKS AND PRIVATE INDIVIDUALS, THE CONSULATE GENERAL-- AT THE SUGGESTION OF LOCAL OFFICIALS-- HAS RAISED THE MATTER OFFICIALLY WITH THE MINISTRY OF EXTERNAL AFFAIRS, BUT THIS TOO HAS FAILED ON THE GROUNDS THAT THE U. S. G. MUST FIRST PROVE THAT CRIMINAL ACTS HAVE BEEN COMMITTED. FOR THIS REASON, THE CONSULATE GENERAL HAS PROPOSED THE USE OF THE LETTERS ROGATORY PROCEDURE OUTLINED IN NASSAU 290.

4. ONE FACET OF THE BANK SECRECY PROBLEM RELATES TO REPORTS THE CONSULATE GENERAL HAS RECEIVED FROM IRS AGENTS THAT NARCOTICS TRAFFICKERS IN THE U. S. ARE DEPOSITING THEIR PROFITS IN BAHAMIAN ACCOUNTS. EFFORTS TO INVESTIGATE THIS HAVE BEEN THWARTED BY THE LOCAL BANK SECRECY LAWS.

B. TAKEN TOGETHER, THE PROBLEMS OUTLINED ABOVE ARE SUFFICIENTLY DAMAGING TO A VARIETY OF AMERICAN INTERESTS THAT THE CONSULATE GENERAL BELIEVES THEY MERIT SYSTEMATIC STUDY BY INTERESTED WASHINGTON AGENCIES TO SEE WHAT MEASURES MAY BE AVAILABLE TO US TO PROTECT THESE INTERESTS. IT IS PROPOSED THAT A WORKING GROUP BE FORMED BY STATE, JUSTICE, TREASURY AND THE SEC AND/ OR REPRESENTATIVES OF THE ORGANIZED CRIME TASK FORCE TO LOOK INTO THIS MATTER. SPEAR

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